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No. 10-300

Supreme Court, U.S.
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IN THE

Supreme Court of the United States

TIFFANY (NJ) INC. AND
TIFFANY AND COMPANY,

Petitioners,

v.

EBAY INC.,

Respondent.

On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Second Circuit

REPLY BRIEF FOR PETITIONERS

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RULE 29.6 STATEMENT

The corporate disclosure statement included in the petition for a writ of certiorari remains accurate.

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REPLY BRIEF FOR PETITIONERS

The Second Circuit's decision leaves the courts of appeals in conflict on a recurring and unquestionably important issue of federal trademark law. eBay defends the Second Circuit's purported distinction of *Fonovisa, Inc.* v. *Cherry Auction, Inc.*, 76 F.3d 259 (9th Cir. 1996), only in a single, two-sentence footnote. Instead, it devotes the bulk of its brief in opposition—as well as an extraordinary, and largely repetitive, "supplemental brief"—to advancing a host of meritless arguments against certiorari. *But see* Eugene Gressman *et al.*, *Supreme Court Practice* 511 (9th ed. 2007) ("The need for supplemental briefs addressed to petition stage amicus filings thus no longer exists." (citing Clerk's Comment, S. Ct. R. 37.2(a) (2007))).

eBay's decision to file, in effect, two briefs in opposition, totaling 37 pages, is an odd way to suggest that the question presented is somehow unworthy of this Court's review. It is particularly odd coming from a party that waived its right to respond before Tiffany's petition had even been docketed, obviously hopeful that the petition would go unnoticed on this Court's summer list. Unable to convince this Court to deny review by saying nothing, eBay has now adopted the opposite approach, using any conceivable justification to advance the same arguments over and over again.

By dint of repetition, eBay attempts to characterize the Ninth Circuit's decision in *Fonovisa* as resting exclusively on willful blindness—a theory that, it believes, is inapplicable here. Tellingly, eBay took the opposite view before the Second Circuit, conceding that *Fonovisa* was based on the defendants'

knowledge of counterfeiting in their marketplace. *See* eBay C.A. Br. 54. Although the Ninth Circuit thought it might *also* have been relevant that the defendants were willfully blind, it was independently sufficient that the defendants were "aware that vendors in their [marketplace] were selling counterfeit [goods] in violation of [the plaintiff's] trademarks." 76 F.3d at 261.

eBay's remaining arguments are equally off the mark. It claims, for instance, that Tiffany is advancing a "waived" argument that the standard for contributory infringement applies differently to the Internet—a curious assertion since *Fonovisa* involved a brick-and-mortar flea market. In fact, it is eBay that seeks to use the Internet setting to receive favorable treatment for its "massive, online marketplace" (BIO 2) rather than comply with the rules that govern every other sort of business.

In light of the split between the Second and Ninth Circuits, the obvious tension between the Second Circuit's decision and *Inwood Laboratories, Inc.* v. *Ives Laboratories, Inc.*, 456 U.S. 844 (1982), and the vital importance of the question presented, this Court's review is warranted.

I. THE SECOND AND NINTH CIRCUITS ARE DIVIDED ON THE QUESTION PRESENTED.

The Second Circuit's decision that eBay could be held liable only if it knew "which particular listings" were infringing (Pet. App. 28a) cannot be reconciled with the Ninth Circuit's conclusion in *Fonovisa* that the plaintiff "stated a claim for contributory trademark infringement" because the defendants were "aware that vendors in their swap meet were selling counterfeit recordings in violation of [the plaintiff's] trademarks." 76 F.3d at 261, 265.

eBay defends the Second Circuit's attempted distinction of *Fonovisa* only in a footnote, in which it argues that, while the Ninth Circuit "g[ave] th[e] [plaintiff] the opportunity" to prove its case, Tiffany "has already had that opportunity." BIO 11 n.2. This is nonsense. Both this case and *Fonovisa* turn on *legal conclusions* about what sort of knowledge is required to establish contributory liability; it is immaterial that the Ninth Circuit addressed the issue in reversing a motion to dismiss while the Second Circuit did so in affirming the district court's conclusions of law. Indeed, as eBay repeatedly points out, the facts are now "undisputed," BIO 10, 12; Supp. Br. 2, 9-10; this case, like *Fonovisa*, is about the legal significance of those facts—rather than the facts themselves—under *Inwood*'s standard for liability.

eBay also claims that the Ninth Circuit "never considered the question of law on which Tiffany seeks review." BIO 11. This, too, is incorrect. *Fonovisa* was not, as eBay insists, a case about "the alleged *willful blindness* of a swap meet operator to *specifically identified* trademark infringement on its premises." *Ibid.* (emphases added). Instead, like this case, it addressed whether the defendants' *knowledge* that their marketplace was used to sell substantial quantities of counterfeit merchandise was sufficient to establish liability for contributory trademark infringement, whether or not the defendants knew *which particular goods* were infringing.

The Ninth Circuit concluded that, based on the allegations in the complaint, the defendants "were aware"—not just willfully blind—"that vendors in their swap meet were selling counterfeit recordings." *Fonovisa*, 76 F.3d at 261; *see also id.* at 264 ("There is no question that plaintiff adequately alleged the

element of knowledge in this case."). Even the district court in *Fonovisa*—which dismissed the complaint—concluded that the plaintiff had adequately pleaded "knowledge of direct infringement." *Fonovisa, Inc.* v. *Cherry Auction, Inc.*, 847 F. Supp. 1492, 1498 (E.D. Cal. 1994).

eBay acknowledged as much before the Second Circuit: "[T]he Ninth Circuit concluded that the plaintiff had adequately alleged the element of knowledge." eBay C.A. Br. 54. Although eBay now advances a different view of *Fonovisa*, there is no support for such a recharacterization. To be sure, the Ninth Circuit *also* believed that "contributory liability could be imposed if the swap meet was 'willfully blind' to the ongoing violations," as the Seventh Circuit held in *Hard Rock Cafe Licensing Corp.* v. *Concession Services, Inc.*, 955 F.2d 1143, 1149 (7th Cir. 1992). *Fonovisa*, 76 F.3d at 265. The Ninth Circuit did not limit its decision to that alternative ground, however, but instead emphasized the complaint's allegations of knowledge. *Id.* at 261. Whether or not willful blindness provides an additional basis for liability, as the Seventh and Ninth Circuits concluded, there is undoubtedly a conflict on the meaning of the "knows or has reason to know" standard this Court articulated in *Inwood*, 456 U.S. at 854.

eBay is similarly mistaken in claiming that *Fonovisa* involved "specifically identified" trademark infringement. BIO 11. eBay bases this assertion on the supposed fact that the "*Fonovisa* defendants allegedly had been notified of *specific vendors* offering thousands of counterfeit recordings." *Id.* at 14. But *Fonovisa* never suggested that the defendants knew about *specific* infringing vendors; rather than dis-

cussing "specific" or "particular" vendors, the Ninth Circuit consistently referred to "vendors" generally. Moreover, the defendants in *Fonovisa* charged a "daily rental fee," 76 F.3d at 261, and the number of vendors—both infringing and otherwise—varied widely, *see, e.g.*, 847 F. Supp. at 1495. The changing composition of the infringing vendors in *Fonovisa* hardly supports eBay's claim that they constituted a "discrete" group. BIO 13.

In any event, the relevant issue is not whether the *Fonovisa* defendants knew of specific infringing *vendors* but instead whether they knew of specific infringing *recordings*. The Second Circuit below required Tiffany to present evidence of "particular [infringing] listings" on eBay, Pet. App. 28a, but the Ninth Circuit did not require any comparable allegation to sustain Fonovisa's complaint. The Second Circuit's holding that Tiffany was "required to prove that [eBay] had knowledge of 'specific infringement[s]'" thus "runs contrary to the holdin[g] of *Fonovisa*." *Arista Records Inc.* v. *Flea World Inc.*, 78 U.S.P.Q.2d 1339, 1353 (D.N.J. 2006) (second alteration in original).[1]

The divergent approaches adopted by the Second and Ninth Circuits undermine the vital goal of maintaining trademark rights that are "uniform through-

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[1] eBay claims (at 15) that Tiffany's reading of *Fonovisa* is foreclosed by *Perfect 10, Inc.* v. *Visa International Service, Ass'n*, 494 F.3d 788 (9th Cir. 2007). But the Ninth Circuit rejected a claim for contributory trademark infringement in *Perfect 10* because it believed the defendants (unlike eBay) lacked "'[d]irect control and monitoring'" over the means of infringement. *Id.* at 807 (quoting *Lockheed Martin Corp.* v. *Network Solutions, Inc.*, 194 F.3d 980, 984 (9th Cir. 1999)). The Court did not even *reach* the knowledge issue.

out the Union." *S.C. Johnson & Son, Inc.* v. *Johnson*, 175 F.2d 176, 178 (2d Cir. 1949) (Hand, J.). This Court should grant certiorari to bring uniformity to the circuits on this important question of trademark law.

II. THE SECOND CIRCUIT INCORRECTLY RESOLVED THE QUESTION PRESENTED.

The Second Circuit's analysis—endorsed by eBay—rests almost entirely on reading a single word from *Inwood*—"one"—as implicitly deciding an issue that was not before the Court, and that the Court did not purport to resolve. The critical holding in *Inwood*, which eBay ignores, is that the district court did not commit clear error in finding that "[t]here was no proof of illegal substitution accompanied by mislabeling beyond the few instances referred to on the motion for a preliminary injunction." *Ives Labs., Inc.* v. *Darby Drug Co.*, 488 F. Supp. 394, 397 (E.D.N.Y. 1980); *see also Inwood*, 456 U.S. at 855-56 (upholding the district court's factual findings).

Unlike this case, therefore, there was no "pattern" of infringement in *Inwood*. 456 U.S. at 855. And that was the decisive point: The Second Circuit concluded—without provoking any contrary suggestion from this Court—that such a pattern would have given rise to liability. *See Ives Labs., Inc.* v. *Darby Drug Co.*, 638 F.2d 538, 543 (2d Cir. 1981).

The relevant language in *Inwood* is not "one" but "knows or has reason to know"—a standard that fully supports liability when the operator of a market is aware of widespread counterfeiting in its marketplace. eBay attempts to downplay the significance of this standard by focusing instead on Justice White's opinion concurring in the result. BIO 18. This is an odd approach since Justice White argued that "[t]he

Court implicitly endorse[d] the legal standard purportedly employed by the Court of Appeals"—*i.e.*, the same standard that led the Second Circuit to conclude that a pattern of infringing activity would be sufficient to establish contributory liability. *Inwood*, 456 U.S. at 859 (White, J., concurring in the result). The Court expressly rejected Justice White's claim that the Second Circuit had "applied a 'watered down' and incorrect standard." *Id.* at 854 n.13.[2]

Tiffany's reading of *Inwood* is fully supported by Judge Wyzanski's opinion in *Coca-Cola Co.* v. *Snow Crest Beverages, Inc.*, 64 F. Supp. 980 (D. Mass. 1946), *aff'd*, 162 F.2d 280 (1st Cir. 1947). Although eBay claims that *Inwood* "briefly cited" *Snow Crest*, this Court in fact identified *Snow Crest* as one of two authorities supporting its test for contributory trademark infringement. *See* 456 U.S. at 854. And *Inwood* likewise endorsed (*id.* at 854 n.13) Judge Friendly's opinion in an earlier appeal, which had explained that *Snow Crest* provided the "proper cri-

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[2] eBay claims incorrectly that "[o]ther courts . . . have consistently understood *Inwood* to require knowledge of specific infringing conduct." BIO 20. *Nintendo of America Inc.* v. *Computer & Entertainment, Inc.*, No. C 96-0187, 1996 WL 511619, at *5 (W.D. Wash. May 31, 1996), supports Tiffany; the court did not cite any *specific* evidence of infringing use by purchasers of a video-game copying device in holding that Nintendo was likely to prevail on its claim for contributory infringement. The remaining cases are off-point. *Perfect 10* did not address knowledge. *See supra* at 5 n.1. *AT&T Co.* v. *Winback & Conserve Program, Inc.*, 42 F.3d 1421, 1433 n.14 (3d Cir. 1994), did not involve any claim for contributory trademark infringement. And *Monsanto Co.* v. *Campuzano*, 206 F. Supp. 2d 1271, 1279 (S.D. Fla. 2002), granted summary judgment because the plaintiffs offered only "speculation" that the defendants had actual or constructive knowledge.

teria" for claims of contributory trademark infringement. *Ives Labs., Inc.* v. *Darby Drug Co.*, 601 F.2d 631, 636 (2d Cir. 1979). Thus, eBay has staked out a legal position that is contrary to the views of two of the greatest jurists of the twentieth century, has been endorsed by this Court in a majority opinion, and has been accepted by no court other than the Second Circuit below.

eBay's only response to *Snow Crest* is selective quotation: It claims that "*Snow Crest* supports the Second Circuit's reading of *Inwood*" because it would have permitted liability with respect to "'particular named bars.'" BIO 17 n.4 (quoting 64 F. Supp. at 990) (emphasis omitted). But eBay inexplicably omits the *alternative* basis for liability—which Judge Wyzanski discussed *in the very same sentence*, and which Tiffany quoted in its petition, *see* Pet. 15-16—that would apply if the "volume of defendant's sales" indicated that "many bars must necessarily be passing off defendant's products as Coca-Cola," 64 F. Supp. at 990. This case is even easier: eBay need not have *inferred* that its site was routinely used to infringe Tiffany's trademarks; it *knew* as much. *See*, *e.g.*, Pet. App. 158a.

Unable to muster any meaningful *legal* arguments, eBay instead invokes supposed *policy* concerns. According to eBay, a decision in Tiffany's favor "would effectively prevent eBay from allowing *any* listings for Tiffany" because it could not "guarante[e] the authenticity of all such items." BIO 21. This is a question of *remedy*, not *liability*: It is eBay's responsibility to design "*effective* [anti-counterfeiting] measures to *prevent* infringing uses." *Sealy, Inc.* v. *Easy Living, Inc.*, 743 F.2d 1378, 1382 (9th Cir. 1984) (emphases added). eBay's argument

only highlights that it profits directly from the infringing conduct that its website facilitates. As policy arguments go, the notion that eBay can comply with the law only by giving up a lucrative trade in substantial quantities of counterfeit merchandise would be more persuasively addressed to a tribunal composed of Barabbas, Fagin, and Raffles than to a court of law.[3]

In any event, eBay is wrong that it has no way to police counterfeiting on its website short of an outright ban on Tiffany merchandise. Tiffany suggested several methods, including a ban on listings of five or more pieces of Tiffany jewelry. The district court rejected this proposal because it is not a perfect solution, *see* Pet. App. 75a, but even a "'shorthand solution'" (*ibid.*) is better than allowing eBay to continue facilitating—and profiting from—a massive trade in counterfeit goods. Yet even ignoring Tiffany's own suggestions, *amicus* Coty has explained that "there has been a significant reduction in the number of counterfeit offers" after eBay Germany was forced to adopt "technological countermeasures," "which dem-

[3] It is perfectly sensible to require eBay to police infringement on its website because it is the party best situated to do so. Tiffany, by contrast, does not "have the opportunity to see listings any earlier than a member of the general public," and thus "potentially counterfeit merchandise could be listed and sold before Tiffany had even had the opportunity to review the listing." Pet. App. 78a-79a. Although eBay complains that it "cannot physically inspect, examine, or authenticate the listed items," BIO 2, the same is true of Tiffany. *Cf.* Pet. App. 126a ("[W]hile eBay itself does not sell or possess the items available on its website, eBay retains significant control over the transactions conducted through eBay."). For this reason, it is remarkable for eBay to suggest that *Tiffany* is somehow to blame for failing to stop the widespread counterfeiting on *eBay*'s website.

onstrates that eBay can indeed take action to decrease counterfeit activity on its service." Coty *Amicus* Br. 13.

III. The Question Presented Is Extremely Important And Appropriate For Review By This Court.

eBay does not contest that this case presents a pure question of federal law regarding the type of knowledge required to establish contributory trademark infringement, or that the question is exceedingly important—particularly since "rampant online trademark counterfeiting . . . threaten[s] consumers' health and safety" while "erod[ing] the very purpose of trademarks." IACC *Amicus* Br. 3. Instead, eBay argues that (1) Tiffany's supposed request for a "radical reallocation of traditional burdens of trademark enforcement" is "appropriately addressed to Congress" rather than this Court, BIO 22, and (2) the foreign decisions cited by Tiffany and its *amici* "have no relevance here," *id.* at 23 (capitalization omitted). Neither of these arguments has merit.

First, Tiffany does not seek a "radical reallocation" of trademark burdens. Instead, it seeks to clarify an issue that has divided the courts of appeals in the aftermath of *Inwood*: the type of knowledge required to establish liability for contributory trademark infringement. It is no answer for eBay to insist that "trademark owners" have the "traditional responsibility" of "polic[ing] their trademarks." BIO 1. That reasoning would foreclose *any* liability for trademark infringement—or at least any contributory liability. Instead, the issue is whether eBay's knowledge of widespread infringement on its website is sufficient for liability. The selection and development of appropriate standards for such liability has

always been an issue for the courts, as *Inwood* itself makes clear. *See* 456 U.S. at 853-55; *see also* Pet. App. 19a.

Second, according to eBay, Tiffany seeks this Court's review to "harmonize U.S. law with recent foreign court decisions involving eBay." BIO 23. The harmonization of trade rules across borders is scarcely an evil to be feared, and eBay's view that these foreign decisions are irrelevant is indefensible. While American courts are "not bound to recognize or rely upon foreign law" in determining "rights in a mark under our law," *E. Remy Martin & Co., S.A.* v. *Shaw-Ross Int'l Imps., Inc.*, 756 F.2d 1525, 1531-32 (11th Cir. 1985), "[c]ontributory trademark infringement is a judicially created doctrine that derives from the common law of torts," Pet. App. 19a. There is no reason this Court could not consider the *reasoning* of foreign decisions in determining the proper scope of this doctrine.

In any event, the numerous foreign decisions cited by Tiffany and its *amici* are relevant not because this Court must follow some "international consensus" on trademark law, BIO 24, but instead because they demonstrate the overwhelming importance of the question presented and the pressing need for this Court's review. These cases illustrate the importance of having "the courts of one jurisdiction speak with a single voice" on this "important" issue. Coty *Amicus* Br. 17.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted.

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